



Nkomazi Local Municipality

**Annual Financial Statements
for the year ended 30 June 2015**

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services
Mayoral committee	
Executive Mayor	Khoza T S
Speaker	Macie K J
Chief whip	Mabuza S
Members of mayoral committee	Mhlanga M W (Budget and Treasury) Mkhatshwa S L (Planning and Development) Magagula P P (Corporate Services) Ngomane E M (Community and Social Services) Shongwe M R (Infrastructure)
Councillors	Cloete A Dikiza G K Dlamini-Zitha S P Hlahla B A Langa N P Letsoalo S M Luphoko P C Lusibane F N Mabuza V E Madolo S P Mahlalela S S Mahlalela E J Makamo L S Makhubela B S Makhubela J J Makhubela L S Malaza B B Mambane D S Maphanga D A Masilela D L Masilela D J Masilela T E Masuku S H Mathenjwa N D Mathonsi S S Mazibuko B C Mkhabela L A Mkhumbane M R Mkhumbane T C Mnisi D P Mnisi P M Mogiba G N Motha C M Msithini S Z Mthombo T M Myeni N M Mziako P M Ndlala S J

Nkomazi Local Municipality

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General Information

	Ngomane B D
	Ngomane G B
	Ngomane L P
	Nkambule G J
	Nkentshane M E
	Nkosi J M
	Ntuli S J
	Preddy M M S
	Shabangu V T
	Shongwe M D
	Shongwe W H
	Shungube Z I
	Sibiya S C
	Silombo S R
	Thumbathi B P
	Vuma L T
	Zitha M A
	Zitha-Dlamini S
Grading of local authority	4
Chief Finance Officer (CFO)	Mkhonto JW (Acting CFO)
Business address	Civic Centre 9 Park Street Malelane 1320
Postal address	Private Bag X101 Malelane 1320
Contact no	013 790 0245
Bankers	ABSA Bank Nelspruit
Auditors	The Auditor-General
Demarcation code	MP324
Accounting Officer	Ngwenya M D

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
SA GAAP	South African Statements of Generally Accepted Accounting Practice
DBSA	Development Bank of Southern Africa
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards
ME's	Municipal Entities

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report is expected before 30 November 2015.

The accounting officer is responsible for the preparation of these Annual Financial Statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act. The annual financial statements set out on pages 6 to 70, which have been prepared on the going concern basis, were approved by the accounting officer. 31 August 2015.

MD Ngwenya

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 260,395,032 (2014: surplus R 45,160,730).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any material matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board.

5. Accounting Officer

The accounting officer of the municipality at the date of this report is mentioned on page 2.

6. Auditors

The Auditor-General will continue in office for the next financial period.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	6	804,795	897,444
Operating lease asset	17	12,481	1,946
Receivables from exchange transactions	7	199,929	170,868
Receivables from non-exchange transactions	8	101,222,660	50,908,517
VAT receivable	9	25,260,519	32,403,171
Consumer debtors-exchange transactions	10	26,353,672	18,566,998
Deposits made	18	9,015,835	3,505,209
Cash and cash equivalents	11	38,114,336	8,418,250
		200,984,227	114,872,403
Non-Current Assets			
Investment property	4	44,856,726	45,073,391
Property, plant and equipment	5	1,743,664,327	1,566,536,894
Intangible assets	12	236,513	262,990
Heritage assets	13	2,812,819	2,812,819
Operating lease asset	17	129,931	139,221
		1,791,700,316	1,614,825,315
Total Assets		1,992,684,543	1,729,697,718
Liabilities			
Current Liabilities			
Other financial liabilities	15	508,335	430,989
Finance lease obligation	16	437,799	-
Operating lease liability	17	33,404	107,049
Trade and other payables from exchange transactions	19	224,846,429	203,790,055
Unspent conditional grants and receipts	20	2,542,974	16,914,629
Provisions	21	20,581,005	19,377,104
Trade payables from non-exchange transactions	23	-	113,596
Bank overdraft	11	-	4,433,376
		248,949,946	245,166,798
Non-Current Liabilities			
Other financial liabilities	15	2,154,940	2,673,785
Finance lease obligation	16	211,558	-
Operating lease liability	17	56,811	48,421
Provisions	21	19,740,838	20,633,309
		22,164,147	23,355,515
Total Liabilities		271,114,093	268,522,313
Net Assets		1,721,570,450	1,461,175,405
Net Assets			
Accumulated surplus		1,721,570,450	1,461,175,405

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	27	101,120,350	76,852,213
Rental of facilities and equipment	28	3,342,089	3,393,272
Interest earned - debtors		3,628,707	5,220,039
Agency services	25	8,574,281	4,670,125
Recoveries	32	8,312,975	1,035,463
Other income	33	7,703,684	6,339,103
Interest earned - external	29	715,887	1,794,381
Total revenue from exchange transactions		133,397,973	99,304,596
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	102,301,495	64,117,325
Transfer revenue			
Government grants & subsidies	30	648,503,631	483,860,819
Public contributions and donations	31	450,000	3,752,226
Fines	25	37,336,240	9,594,434
Licences and permits	25	13,420	19,295
Total revenue from non-exchange transactions		788,604,786	561,344,099
Total revenue	25	922,002,759	660,648,695
Expenditure			
Employee related cost	34	(268,026,875)	(249,736,724)
Remuneration of councillors	35	(20,291,579)	(19,136,513)
Depreciation and amortisation	36	(49,175,814)	(49,189,967)
Impairment loss	37	(2,252,452)	(6,789,731)
Finance costs	38	(4,071,971)	(2,345,357)
Debt Impairment	39	(23,820,882)	(10,269,957)
Bulk purchases	41	(60,277,377)	(58,159,340)
Contracted services	40	(35,506,197)	(23,266,444)
General expenses	42	(195,866,129)	(196,730,710)
Total expenditure		(659,289,276)	(615,624,743)
Operating surplus		262,713,483	45,023,952
Gain / (Loss) of game assets		(2,318,451)	136,778
Surplus for the year		260,395,032	45,160,730

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1,340,645,612	1,340,645,612
Adjustments		
Change in accounting policy	1,033,563	1,033,563
Correction of errors	(3,707,365)	(3,707,365)
Balance at 01 July 2013 as restated*	1,337,971,810	1,337,971,810
Changes in net assets		
Clearing of old bank recon items	8,285	8,285
	8,285	8,285
Surplus for the year	45,160,730	45,160,730
Sub total	45,169,015	45,169,015
Total changes	45,169,015	45,169,015
Opening balance as previously reported	1,383,140,825	1,383,140,825
Adjustments		
Correction of errors	78,034,593	78,034,593
Restated* Balance at 01 July 2014 as restated*	1,461,175,418	1,461,175,418
Changes in net assets		
Surplus for the year	260,395,032	260,395,032
Total changes	260,395,032	260,395,032
Balance at 30 June 2015	1,721,570,450	1,721,570,450
Note(s)		

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Delivery of services and other revenue		214,682,423	155,017,161
Grants		648,503,631	483,860,820
Interest income		715,887	1,794,381
		<u>863,901,941</u>	<u>640,672,362</u>
Payments			
Employee and councillors related cost		(288,318,454)	(268,873,238)
Suppliers		(301,334,682)	(109,729,203)
Finance costs		(4,021,569)	(2,314,208)
		<u>(593,674,705)</u>	<u>(380,916,649)</u>
Net cash flows from operating activities	44	<u>270,227,236</u>	<u>259,755,713</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(230,666,522)	(253,360,948)
Proceeds from sale of property, plant and equipment	5	92,500	2,038,200
Purchase of investment property	4	-	(10,686,592)
Purchase of other intangible assets	12	(56,986)	(98,171)
Deposits made		(5,510,626)	(203,281)
		<u>(236,141,634)</u>	<u>(262,310,792)</u>
Net cash flows from investing activities		<u>(236,141,634)</u>	<u>(262,310,792)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(441,499)	(376,376)
Movement in trade payables from non-exchange transactions		(113,596)	-
Finance lease proceeds / (repayments)		598,955	(698,147)
		<u>43,860</u>	<u>(1,074,523)</u>
Net cash flows from financing activities		<u>43,860</u>	<u>(1,074,523)</u>
Net increase/(decrease) in cash and cash equivalents		34,129,462	(3,629,602)
Cash and cash equivalents at the beginning of the year		3,984,874	7,614,476
Cash and cash equivalents at the end of the year	11	<u>38,114,336</u>	<u>3,984,874</u>

* See Note 2 & 48

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Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	97,579,999	(13,699,137)	83,880,862	101,120,350	17,239,488	
Rental of facilities and equipment	4,573,913	589,521	5,163,434	3,342,089	(1,821,345)	
Interest earned - debtors	5,463,491	(3,830,433)	1,633,058	3,628,707	1,995,649	
Agency services	13,333,628	-	13,333,628	8,574,281	(4,759,347)	
Recoveries	-	765,020	765,020	8,312,975	7,547,955	
Other income	7,112,742	(1,264,022)	5,848,720	7,703,684	1,854,964	
Interest earned - external	2,662,000	(2,000,000)	662,000	715,887	53,887	
Total revenue from exchange transactions	130,725,773	(19,439,051)	111,286,722	133,397,973	22,111,251	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	81,773,272	-	81,773,272	102,301,495	20,528,223	
Transfer revenue						
Government grants & subsidies	583,858,999	14,675,465	598,534,464	648,503,631	49,969,167	
Public contributions and donations	-	-	-	450,000	450,000	
Fines	665,500	8,136,828	8,802,328	37,336,240	28,533,912	
Licences and permits	29,282	(8,853)	20,429	13,420	(7,009)	
Total revenue from non-exchange transactions	666,327,053	22,803,440	689,130,493	788,604,786	99,474,293	
Total revenue	797,052,826	3,364,389	800,417,215	922,002,759	121,585,544	
Expenditure						
Personnel	(226,291,538)	31,015	(226,260,523)	(268,026,875)	(41,766,352)	
Remuneration of councillors	(19,121,118)	-	(19,121,118)	(20,291,579)	(1,170,461)	
Depreciation and amortisation	(60,706,357)	-	(60,706,357)	(49,175,814)	11,530,543	
Impairment loss/ Reversal of impairments	(3,690,544)	-	(3,690,544)	(2,252,452)	1,438,092	
Finance costs	(930,352)	(400,000)	(1,330,352)	(4,071,971)	(2,741,619)	
Debt impairment	(17,045,171)	-	(17,045,171)	(23,820,882)	(6,775,711)	
Bulk purchases	(71,542,723)	-	(71,542,723)	(60,277,377)	11,265,346	
Contracted services	(18,652,934)	(3,835,814)	(22,488,748)	(35,506,197)	(13,017,449)	
General Expenses	(163,502,077)	(30,123,158)	(193,625,235)	(195,866,129)	(2,240,894)	
Total expenditure	(581,482,814)	(34,327,957)	(615,810,771)	(659,289,276)	(43,478,505)	
Operating surplus	215,570,012	(30,963,568)	184,606,444	262,713,483	78,107,039	
Loss on disposal of game assets.	-	-	-	(2,318,451)	(2,318,451)	
Surplus / (deficit) before taxation	215,570,012	(30,963,568)	184,606,444	260,395,032	75,788,588	

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Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	215,570,012	(30,963,568)	184,606,444	260,395,032	75,788,588	

Statement of Financial Position

Assets

Current Assets

Inventories	736,530	-	736,530	804,795	68,265
Operating lease asset	-	-	-	12,481	12,481
Receivables from exchange transactions	-	-	-	199,929	199,929
VAT receivable	10,334,325	-	10,334,325	25,260,519	14,926,194
Consumer debtors	74,455,629	32,403,744	106,859,373	127,576,332	20,716,959
Deposits made	-	-	-	9,015,835	9,015,835
Call Investment	5,000,000	(5,000,000)	-	-	-
Cash and cash equivalents	32,302,104	21,837,412	54,139,516	38,114,336	(16,025,180)
	122,828,588	49,241,156	172,069,744	200,984,227	28,914,483

Non-Current Assets

Investment property	34,936,799	-	34,936,799	44,856,726	9,919,927
Property, plant and equipment	1,715,331,950	-	1,715,331,950	1,743,664,327	28,332,377
Intangible assets	387,963	-	387,963	236,513	(151,450)
Heritage assets	2,812,819	-	2,812,819	2,812,819	-
Operating lease asset	-	-	-	129,931	129,931
	1,753,469,531	-	1,753,469,531	1,791,700,316	38,230,785

Total Assets

1,876,298,119	49,241,156	1,925,539,275	1,992,684,543	67,145,268
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Liabilities

Current Liabilities

Other financial liabilities	364,575	-	364,575	508,335	143,760
Finance lease obligation	-	-	-	437,799	437,799
Operating lease liability	-	-	-	33,404	33,404
Trade and other payables from exchange transactions	81,000,000	83,362,747	164,362,747	224,846,432	60,483,685
Unspent conditional grants and receipts	-	-	-	2,542,974	2,542,974
Provisions	10,579,687	-	10,579,687	20,581,004	10,001,317
	91,944,262	83,362,747	175,307,009	248,949,948	73,642,939

Non-Current Liabilities

Other financial liabilities	2,416,507	-	2,416,507	2,154,940	(261,567)
Finance lease obligation	-	-	-	211,558	211,558
Operating lease liability	-	-	-	56,811	56,811
Provisions	-	-	-	19,740,838	19,740,838
	2,416,507	-	2,416,507	22,164,147	19,747,640

Total Liabilities

94,360,769	83,362,747	177,723,516	271,114,095	93,390,579
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Net Assets

1,781,937,350	(34,121,591)	1,747,815,759	1,721,570,448	(26,245,311)
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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,781,937,350	(34,121,591)	1,747,815,759	1,721,570,448	(26,245,311)	

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Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	81,773,272	-	81,773,272	-		81,773,272	102,301,495		20,528,223	125 %	125 %
Service charges	97,579,999	(13,699,137)	83,880,862	-		83,880,862	101,120,350		17,239,488	121 %	104 %
Investment revenue	2,662,000	(2,000,000)	662,000	-		662,000	715,887		53,887	108 %	27 %
Transfers recognised - operational	364,477,493	7,264,615	371,742,108	-		371,742,108	367,457,367		(4,284,741)	99 %	101 %
Other own revenue	31,178,556	4,388,062	35,566,618	-		35,566,618	69,708,842		34,142,224	196 %	224 %
Total revenue (excluding capital transfers and contributions)	577,671,320	(4,046,460)	573,624,860	-		573,624,860	641,303,941		67,679,081	112 %	111 %
Employee costs	(226,291,538)	31,015	(226,260,523)	-	-	(226,260,523)	(268,026,875)	-	(41,766,352)	118 %	118 %
Remuneration of councillors	(19,121,118)	-	(19,121,118)	-	-	(19,121,118)	(20,291,579)	-	(1,170,461)	106 %	106 %
Debt impairment	-	-	-			-	(23,820,882)	-	(23,820,882)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(64,396,900)	-	(64,396,900)			(64,396,900)	(51,428,266)	-	12,968,634	80 %	80 %
Finance charges	(930,352)	(400,000)	(1,330,352)	-	-	(1,330,352)	(4,071,971)	-	(2,741,619)	306 %	438 %
Materials and bulk purchases	(73,195,881)	(73,860)	(73,269,741)	-	-	(73,269,741)	(60,277,377)	-	12,992,364	82 %	82 %
Other expenditure	(197,547,023)	5,417,854	(192,129,169)	-	-	(192,129,169)	(233,690,777)	-	(41,561,608)	122 %	118 %
Total expenditure	(581,482,812)	4,975,009	(576,507,803)	-	-	(576,507,803)	(661,607,727)	-	(85,099,924)	115 %	114 %
Surplus/(Deficit)	(3,811,492)	928,549	(2,882,943)	-		(2,882,943)	(20,303,786)		(17,420,843)	704 %	533 %

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	219,381,506	42,410,850	261,792,356	-		261,792,356	273,206,281		11,413,925	104 %	125 %
Surplus (Deficit) after capital transfers and contributions	215,570,014	43,339,399	258,909,413	-		258,909,413	252,902,495		(6,006,918)	98 %	117 %
Surplus/(Deficit) for the year	215,570,014	43,339,399	258,909,413	-		258,909,413	252,902,495		(6,006,918)	98 %	117 %
Capital expenditure and funds sources											
Total capital expenditure	230,906,506	54,490,850	285,397,356	-		285,397,356	230,723,507		(54,673,849)	81 %	100 %
Sources of capital funds											
Transfers recognised - capital	219,381,506	42,410,850	261,792,356	-		261,792,356	273,206,281		11,413,925	104 %	125 %
Internally generated funds	11,525,000	-	11,525,000	-		11,525,000	-		(11,525,000)	- %	- %
Total sources of capital funds	230,906,506	42,410,850	273,317,356	-		273,317,356	273,206,281		(111,075)	100 %	118 %

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

In determining the allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The municipality re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment - management considers the conditions and use of individual assets, to determine the remaining period over which the asset can and will be used.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value on a straight line method over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

Land	Indefinite
Buildings	10 - 30 years
Plant and machinery	5 - 20 years
Furniture and fixtures	5 - 20 years
Motor vehicles	7 - 20 years
IT equipment	5 - 10 years
Infrastructure	
• Roads and paving	10 - 100 years
• Electricity	5 - 80 years
• Water	10 - 100 years
• Sewerage	15 - 60 years
• Solid waste disposal	15 - 55 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Game

The municipality recognises game asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumulated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of game asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset will be disclosed in note of Heritage assets.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Other financial liabilities
Trade and other payables from exchange transactions
Bank overdraft
Trade and other payables from non-exchange transactions

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

When the straight-lined lease payments recognised as an expense is less than the contractual payments, the difference is accounted as operating lease asset. When the straight-lined lease payments recognised as an expense is more than the contractual payments, the difference is accounted as operating lease liability. Any contingent rents are expensed in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of water inventories is assigned using the weighted average cost formula. The First In First Out cost formula is used for all other inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Other post retirement obligations

The municipality provides post-retirement medical scheme benefits upon retirement to some retirees. Payments to medical aid schemes are charged as an expense as they fall due.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Services Charges

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Revenue from Agency services

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Fines

Revenue from traffic fines is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured. Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognise an impairment loss where appropriate.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and already contracted services;
- Approved by accounting officer not yet contracted services
- Where disclosure is required by specific standard of GRAP.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.25 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 100 - Discontinued operations

GRAP 100 - Discontinued operations

During the year, the municipality changed its accounting policy with respect to the treatment of non-current assets held for sale. In order to conform with the benchmark treatment in of GRAP 100 – Discontinued operations. The municipality now does not recognise non-current assets held for sale.

Statement of financial position

Property, plant and equipment

Previously stated	-	1,495,604,673
Adjustment	-	2,130,081
	-	1,497,734,754

Non-current assets held for sale

Previously stated	-	2,130,081
Adjustment	-	(2,130,081)
	-	-

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	Not expected to have an impact
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	Not expected to have an impact
• GRAP 107: Mergers	01 April 2015	Not expected to have an impact
• GRAP 20: Related parties	01 April 2016	Unlikely to have material impact - possible additional disclosures
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	Not expected to have an impact
• GRAP108: Statutory Receivables	01 April 2016	Unlikely to have material impact - possible additional disclosures
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	Not expected to have an impact

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	Unlikely to have an impact

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

4. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46,503,555	(1,646,829)	44,856,726	46,503,555	(1,430,164)	45,073,391

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Investment property	45,073,391	(216,665)	44,856,726

Reconciliation of investment property - 2014

	Opening balance	opening balance adjustment	Transfer to PPE	Total
Investment property	34,936,799	10,686,592	(550,000)	45,073,391

Pledged as security

No assets were pledged as security.

Details of property

Investment property consist out of land only and is kept for capital appreciation. The fixed asset register is available for more details of investment property.

Other disclosure

There were no operating costs incurred related to the investment property.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

5. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	502,804,273	-	502,804,273	509,205,648	(6,401,375)	502,804,273
Buildings	123,707,717	(29,726,448)	93,981,269	111,360,241	(23,388,265)	87,971,976
Plant and machinery	25,073,235	(12,855,165)	12,218,070	23,847,054	(10,727,127)	13,119,927
Furniture and fixtures	7,869,949	(6,320,445)	1,549,504	7,854,511	(5,684,318)	2,170,193
Motor vehicles	36,315,648	(29,056,533)	7,259,115	36,315,648	(26,308,460)	10,007,188
IT equipment	6,775,566	(4,862,112)	1,913,454	6,503,935	(4,169,859)	2,334,076
Infrastructure - Electricity	108,926,743	(1,966,839)	106,959,904	94,011,543	1,205,690	95,217,233
Infrastructure - Roads and paving	228,743,579	(53,771,768)	174,971,811	199,608,933	(44,220,992)	155,387,941
Game	7,308,219	-	7,308,219	9,626,669	-	9,626,669
Infrastructure - Sewerage	9,172,812	(637,449)	8,535,363	5,611,936	(473,418)	5,138,518
Infrastructure - Solid waste disposal	31,304,401	(1,318,619)	29,985,782	26,301,893	(710,060)	25,591,833
Infrastructure - Water	692,444,744	(157,042,424)	535,402,320	581,654,314	(131,943,030)	449,711,284
Capital work in progress	260,775,243	-	260,775,243	207,455,783	-	207,455,783
Total	2,041,222,129	(297,557,802)	1,743,664,327	1,819,358,108	(252,821,214)	1,566,536,894

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers - WIP completed	Depreciation	Impairment loss	Total
Land	502,804,273	-	-	-	-	-	502,804,273
Buildings	87,971,976	2,674,609	-	9,672,867	(4,400,208)	(1,937,975)	93,981,269
Plant and machinery	13,119,927	1,226,181	-	-	(2,128,038)	-	12,218,070
Furniture and fixtures	2,170,193	15,439	-	-	(636,128)	-	1,549,504
Motor vehicles	10,007,188	-	-	-	(2,748,073)	-	7,259,115
IT equipment	2,334,076	271,631	-	-	(692,253)	-	1,913,454
Infrastructure - Electricity	95,217,233	6,850,025	-	8,065,175	(3,128,671)	(43,858)	106,959,904
Infrastructure - Roads and paving	155,387,941	4,165,058	-	24,969,588	(9,474,489)	(76,287)	174,971,811
Game	9,626,669	92,501	(2,410,951)	-	-	-	7,308,219
Infrastructure - Sewerage	5,138,518	122,205	-	3,438,671	(164,031)	-	8,535,363
Infrastructure - Solid waste disposal	25,591,833	1,095,875	-	3,906,633	(608,559)	-	29,985,782
Infrastructure - Water	449,711,284	66,824,657	-	43,955,946	(24,895,235)	(194,332)	535,402,320
Capital work in progress	207,455,782	147,328,341	-	(94,008,880)	-	-	260,775,243
	1,566,536,893	230,666,522	(2,410,951)	-	(48,875,685)	(2,252,452)	1,743,664,327

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	opening balance adjustment	Intergovernmental transfer	Transfers - WIP completed	Depreciation	Impairment loss	Total
Land	479,054,303	-	30,151,345	-	-	-	(6,401,375)	502,804,273
Buildings	83,414,746	4,467,892	5,190,239	-	-	(5,100,901)	-	87,971,976
Plant and machinery	13,620,592	360,053	1,467,139	-	-	(2,327,857)	-	13,119,927
Furniture and fixtures	2,701,225	131,603	46,045	-	-	(708,680)	-	2,170,193
Motor vehicles	13,388,356	1,556,500	(1,531,968)	-	-	(3,405,700)	-	10,007,188
IT equipment	2,497,138	1,095,604	199,735	-	-	(1,458,401)	-	2,334,076
Infrastructure - Electricity	79,485,257	2,655,891	16,062,353	-	-	(2,986,268)	-	95,217,233
Infrastructure - Roads and paving	146,426,653	-	17,297,461	-	-	(7,957,644)	(378,529)	155,387,941
Game	9,489,891	2,038,200	-	(1,901,422)	-	-	-	9,626,669
Infrastructure - Sewerage	10,001,096	-	(4,661,534)	-	-	(201,044)	-	5,138,518
Infrastructure - Solid waste disposal	5,086,610	21,092,478	(449,294)	-	-	(137,961)	-	25,591,833
Infrastructure - Water	439,281,356	25,588,075	5,580,617	-	4,096,661	(24,825,598)	(9,827)	449,711,284
Capital work in progress	86,529,930	125,022,514	-	-	(4,096,661)	-	-	207,455,783
	1,370,977,153	184,008,810	69,352,138	(1,901,422)	-	(49,110,054)	(6,789,731)	1,566,536,894

Nkomazi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
5. Property, plant and equipment (continued)		
Impairment of assets		
Buildings	1,937,975	-
Infrastructure - Roads and paving	76,287	378,529
Infrastructure - Water	194,332	9,827
Infrastructure_Electricity	43,858	-
Land	-	6,401,375
Pledged as security		
No assets were pledged as security.		
Assets subject to finance lease (Net carrying amount)		
Details of properties		
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
6. Inventories		
Consumable stores	525,260	730,175
Water inventory	279,535	167,269
	804,795	897,444
7. Receivables from exchange transactions		
Interest receivable - Investments	199,929	170,868
8. Receivables from non-exchange transactions		
Provision for impairments - Rates	(7,261,855)	(12,234,863)
Rates	101,039,621	60,453,489
Traffic fines	41,248,651	12,943,400
Provision for impairment - Traffic fines	(33,803,757)	(10,253,509)
	101,222,660	50,908,517
Net rates		
Current (0-30 days)	9,368,158	5,045,110
31 - 60 days	4,764,737	2,563,839
61 - 90 days	4,477,537	2,381,413
91+ days	78,400,036	38,227,010
	97,010,468	48,217,372
Net traffic fines		
	7,444,894	2,689,891

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand 2015 2014

8. Receivables from non-exchange transactions (continued)

2015 - Summary of debtors by customer classification (Rates)	Residential	Industrial / commercial	National and provincial government	Schools, churches, Hospitals & Clinics and Handovers	Total
Current	2,363,163	4,934,932	1,312,252	757,811	9,368,158
31 - 60 days	1,196,615	2,084,713	1,535,326	342,879	5,159,533
61 - 90 days	924,104	2,104,664	1,694,519	125,250	4,848,536
90 + days	8,527,059	56,104,861	17,552,227	2,711,950	84,896,096
Less: Provisions for impairments	(954,173)	(4,491,992)	(1,526,562)	(289,128)	(7,261,855)
	12,056,768	60,737,178	20,567,762	3,648,762	97,010,468
2014 - Summary of debtors by customer classification (Rates)	Residential	Industrial / commercial	National and provincial government	Schools, churches, Hospitals & Clinics and Handovers	Total
Current	1,611,357	2,906,331	348,744	178,676	5,045,110
31 - 60 days	884,716	1,811,233	401,620	192,853	3,290,422
61 - 90 days	573,586	1,953,491	420,658	108,563	3,056,297
90 + days	6,206,530	34,164,701	6,459,151	2,230,024	49,060,406
Less: Provisions for impairments	(2,020,247)	(8,164,761)	(1,505,902)	(543,952)	(12,234,863)
	7,255,942	32,670,995	6,124,271	2,166,164	48,217,372

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2015, R 9,368,158 (2014: R 5,045,110) were less than 1 month past due but not impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2013, trade and other receivables from non-exchange transactions were impaired and provided for.

The amount of the provision was R (7,261,848) as of 30 June 2015 (2014: R (12,234,863)).

The ageing of these debtors are as follows:

1 month past due	(394,796)	(726,583)
2 and more month past due	(6,867,059)	(11,508,280)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(12,234,863)	(12,043,465)
Contributions to allowance	4,973,008	(191,398)
	(7,261,855)	(12,234,863)

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
9. VAT receivable		
VAT	25,260,519	32,403,171
VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.		
10. Consumer debtors - exchange transactions		
Gross balances		
Electricity	7,378,556	6,523,288
Water	4,512,218	3,400,316
Sewerage	1,094,298	972,333
Refuse	1,230,076	1,152,633
Other	14,111,264	11,229,688
	28,326,412	23,278,258
Less: Allowance for impairment		
Electricity	(513,866)	(1,320,241)
Water	(314,245)	(688,186)
Sewerage	(76,210)	(196,789)
Refuse	(85,666)	(233,280)
Other	(982,753)	(2,272,764)
	(1,972,740)	(4,711,260)
Net balance		
Electricity	6,864,690	5,203,047
Water	4,197,973	2,712,130
Sewerage	1,018,088	775,544
Refuse	1,144,410	919,353
Other	13,128,511	8,956,924
	26,353,672	18,566,998
Net Electricity		
Current (0 - 30 days)	4,218,330	3,370,159
31 - 60 days	582,971	538,695
61 - 90 days	386,158	199,315
91+ days	1,677,231	1,094,878
	6,864,690	5,203,047
Net Water		
Current (0 - 30 days)	1,323,865	951,798
31 - 60 days	607,656	313,138
61 - 90 days	248,622	126,401
91+ days	2,017,830	1,320,793
	4,197,973	2,712,130
Net Sewerage		
Current (0 - 30 days)	320,965	294,434
31 - 60 days	104,357	81,761
61 - 90 days	67,648	53,196
90+ days	525,118	346,153
	1,018,088	775,544

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
10. Consumer debtors - exchange transactions (continued)		
Net Refuse		
Current (0 - 30 days)	337,669	308,299
31 - 60 days	105,156	76,958
61 - 90 days	71,104	56,222
90+ days	630,481	477,874
	1,144,410	919,353
Net Other		
Current (0 - 30 days)	1,217,129	1,091,710
31 - 60 days	719,098	629,911
61 - 90 days	484,584	787,575
91+ days	10,707,700	6,447,728
	13,128,511	8,956,924
Summary of debtors by customer classification		
Residential		
Current	1,871,216	1,921,578
31 - 60 days	552,158	644,160
61 - 90 days	269,731	316,510
91+ days	1,718,795	1,667,325
	4,411,900	4,549,573
Less: Allowance for impairment	(259,209)	(777,934)
	4,152,691	3,771,639
Industrial/ commercial		
Current	3,907,611	3,465,862
31 - 60 days	961,956	1,318,756
61 - 90 days	614,317	1,077,956
91+ days	11,309,029	9,178,021
	16,792,913	15,040,595
Less: Provision for bad debts	(1,220,286)	(3,143,993)
	15,572,627	11,896,602
National and provincial government		
Current	1,039,076	415,885
31 - 60 days	708,450	292,419
61 - 90 days	494,603	232,124
91+ days	3,537,994	1,735,189
	5,780,123	2,675,617
Less: Provision for bad debts	(414,703)	(579,876)
	5,365,420	2,095,741
Schools, Churches, Hospitals & Clinics and Handovers		
Current	600,055	213,076
31 - 60 days	158,216	140,416
61 - 90 days	36,558	59,905
91+ days	546,646	599,075
Less: Provision for bad debts	(78,545)	(209,459)
	1,262,930	803,013

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
10. Consumer debtors - exchange transactions (continued)		
Total		
Current	7,417,958	6,016,400
31 - 60 days	2,380,780	2,395,752
61 - 90 days	1,415,210	1,686,496
91+ days	17,112,465	13,179,610
	28,326,413	23,278,258
Less: Provision for bad debts	(1,972,741)	(4,711,260)
	26,353,672	18,566,998
Provision for bad debts		
31 - 60 days	(261,543)	(755,289)
61 - 90 days	(157,093)	(463,787)
91+ days	(1,554,104)	(3,492,184)
	(1,972,740)	(4,711,260)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(4,711,260)	(4,713,390)
Contributions to allowance	2,738,520	2,130
	(1,972,740)	(4,711,260)
Consumer debtors past due but not impaired		
Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired.		
At 30 June 2015, R 7,417,958 (2014: R 6,016,400) were less than 1 month past due but not impaired.		
Consumer debtors impaired		
As of 30 June 2015, consumer debtors were impaired and provided for.		
The amount of the provision was R (1,972,741) as of 30 June 2015 (2014: R (4,711,261)).		
1 month past due	(261,544)	(755,289)
2 and more months past due	(1,711,198)	(3,955,973)

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2,000	2,000
Bank balances	33,112,337	3,416,251
Short-term deposits	5,000,000	5,000,000
Bank overdraft	-	(4,433,376)
	38,114,337	3,984,875
Current assets	38,114,336	8,418,250
Current liabilities	-	(4,433,376)
	38,114,336	3,984,874

Additional disclosure:

The municipality has a cession of R5,000,000.00 as security in respect of ABSA investment for the guarantees that have been issued to Eskom by Absa bank.

The remaining cash and cash equivalent balances held by the municipality is available for use by the municipality.

Short term fixed deposits

Short term fixed deposits consists of :

ABSA - Account 2068718251	5,000,000	5,000,000
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA BANK, Malelane branch - Primary Account - Account number 1650 000 087	33,285,412	(503,883)	2,734,595	32,979,241	(4,433,374)	537,162
ABSA BANK, Malelane branch - MIG Account - Account number 4077034870	1,777	3,283,205	1,961,718	1,777	3,283,205	1,961,718
ABSA BANK, Malelane branch - MIG Transfer Account - Account number 4080254392	131,086	19,450	8	131,086	-	-
ABSA BANK - Trust Account - 4078501159	207	116,675	113,596	234	113,697	113,596
Total	33,418,482	2,915,447	4,809,917	33,112,338	(1,036,472)	2,612,476

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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12. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	566,020	(329,507)	236,513	509,034	(246,044)	262,990

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	262,990	56,986	(83,463)	236,513

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Prior period corrections	Amortisation	Total
Computer software	244,728	106,348	(8,177)	(79,909)	262,990

13. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	2,812,819	-	2,812,819	2,812,819	-	2,812,819

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	2,812,819	2,812,819

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments	2,812,819	2,812,819

Pledged as security

No heritage assets were pledged as security

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2015

	At amortised cost	Total
Cash and cash equivalents	38,114,336	38,114,336
Deposits made	9,015,835	9,015,835
Trade and other receivables from exchange transactions	26,553,601	26,553,601
Trade and other receivables from non-exchange transactions	101,222,660	101,222,660
	174,906,432	174,906,432

2014

	At amortised cost	Total
Cash and cash equivalents	8,398,800	8,398,800
Deposits Made	3,505,209	3,505,209
Trade and other receivables from exchange transactions	18,737,866	18,737,866
Trade and other receivables from non-exchange transactions	50,908,517	50,908,517
	81,550,392	81,550,392

15. Other financial liabilities

At amortised cost

Annuity loan - DBSA	2,663,275	3,104,774
These loans from DBSA bear interest between 13.4% and 17.5% per annum and are repayable in equal bi-annual repayments. Refer to Appendix A for more details on long-term liabilities.		

Long term borrowings have been utilised in accordance with the Municipal Finance Management Act.

Above borrowings from external parties were utilised in order to finance Property, Plant and Equipment.

There were no default on principal and interest repayments. None of the terms were renegotiated.

Non-current liabilities

At amortised cost	2,154,940	2,673,785
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Current liabilities

At amortised cost	508,335	430,989
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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Finance lease obligation		
Minimum lease payments due		
- not later than one year	476,245	-
- later than one year and not later than five years	216,475	-
	692,720	-
Less: future finance charges	(43,363)	-
Present value of minimum lease payments	649,357	-
Non-current liabilities	211,558	-
Current liabilities	437,799	-
	649,357	-
The lease term is 2 years and the effective borrowing rate is 9.25%. Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.		
Defaults and breaches		
There were no default on principal and interest repayments. None of the terms and conditions were renegotiated.		
17. Operating lease asset (accrual)		
Non-current assets	129,931	139,221
Current assets	12,481	1,946
Non-current liabilities	(56,811)	(48,421)
Current liabilities	(33,404)	(107,049)
	52,197	(14,303)
Refer to note 45 for more details.		
18. Deposits made		
Eskom - electricity	9,015,835	3,505,209
	9,015,835	3,505,209
19. Trade and other payables from exchange transactions		
Trade payables	170,446,288	161,347,271
Staff bonus accrual	6,521,176	5,805,781
Debtors with credit balances	12,424,988	9,142,112
Unallocated deposits	79,326	-
Salary suspense accounts - Third parties	9,741,171	7,748,774
Deposits received	3,144,174	2,802,919
Accrued interest payable on external borrowings	109,559	127,735
Other creditors	161,764	58,200
Retentions	22,217,983	16,757,263
	224,846,429	203,790,055

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
20. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Integrated National Electrification Grant	2,305,648	1,699,350
Water Services Operating Subsidy Grant	-	4,265,012
Municipal Water Infrastructure Grant	-	10,711,567
Rural Household Infrastructure Grant	237,326	238,700
	2,542,974	16,914,629
Movement during the year		
Balance at the beginning of the year	16,914,629	16,371,877
Current-year receipts	300,869,361	192,777,000
Conditions met - transferred to revenue	(315,241,016)	(192,234,248)
	2,542,974	16,914,629

See note 30 for reconciliation of grants from National/Provincial Government.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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21. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Interest charge	Total
Landfill Site Provision	21,335,274	-	-	(903,426)	20,431,848
Performance Bonus Provision	448,000	297,500	(448,000)	-	297,500
Accumulated Leave Provision	17,252,142	19,198,730	(17,252,142)	-	19,198,730
Long Service Award Provision	974,997	393,765	(974,997)	-	393,765
	40,010,413	19,889,995	(18,675,139)	(903,426)	40,321,843

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Landfill Site Provision	-	20,812,403	-	522,871	21,335,274
Performance Bonus Provision	334,259	448,000	(334,259)	-	448,000
Accumulated Leave Provision	11,284,133	17,252,142	(11,284,133)	-	17,252,142
Long Service Award Provision	121,694	974,997	(121,694)	-	974,997
	11,740,086	39,487,542	(11,740,086)	522,871	40,010,413

Non-current liabilities	19,740,838	20,633,309
Current liabilities	20,581,005	19,377,104
	40,321,843	40,010,413

Landfill site provision has been created after Environmental & Sustainability Solutions (ESS), a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectospruit, Marloth Park, Komatipoort and Kamaqhekeza landfill for the reporting period to reflect best reliable estimate.

Performance bonuses are paid in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

Employees are entitled to take at least 16 working days of his/her 24 annual leave of which at least 10 working Days shall be taken consecutively in respect of every completed year service and before the next year of service. The eight days may be accumulated to a maximum of 48 days.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. These employees are awarded proportionally every five years based on 5 days basic salary for 5 years service

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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22. Employee benefit obligations

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

23. Trade payables from non-exchange transactions

The municipality has received money on behalf of family members which were involved in a train and truck accident.

Family fund train accident fund	-	113,596
	-	113,596

24. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2015

	Financial liabilities at amortised cost	Total
Other financial liabilities	2,663,275	2,663,275
Trade and other payables from exchange transactions	224,846,429	224,846,429
	227,509,704	227,509,704

2014

	Financial liabilities at amortised cost	Total
Other financial liabilities	3,104,773	3,104,773
Trade and other payables from exchange transactions	202,290,613	202,290,613
Trade and other payables from non-exchange transactions	113,596	113,596
Bank overdraft	4,433,374	4,433,374
	209,942,356	209,942,356

Nkomazi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
25. Revenue		
Service charges	101,120,350	76,852,213
Rental of facilities and equipment	3,342,089	3,393,272
Interest earned - debtors	3,628,707	5,220,039
Agency services	8,574,281	4,670,125
Recoveries	8,312,975	1,035,463
Other income	7,703,684	6,339,103
Interest earned - external	715,887	1,794,381
Property rates	102,301,495	64,117,325
Government grants & subsidies	648,503,631	483,860,819
Public contributions and donations	450,000	3,752,226
Fines	37,336,240	9,594,434
Licences and permits	13,420	19,295
	922,002,759	660,648,695
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	101,120,350	76,852,213
Rental of facilities and equipment	3,342,089	3,393,272
Interest earned - debtors	3,628,707	5,220,039
Agency services	8,574,281	4,670,125
Recoveries	8,312,975	1,035,463
Other income	7,703,684	6,339,103
Interest earned - external	715,887	1,794,381
	133,397,973	99,304,596
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	102,301,495	64,117,325
Transfer revenue		
Government grants & subsidies	648,503,631	483,860,819
Public contributions and donations	450,000	3,752,226
Fines	37,336,240	9,594,434
Licences and permits	13,420	19,295
	788,604,786	561,344,099

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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26. Property rates

Rates received

Residential	38,502,206	37,171,738
Business	19,856,908	15,833,371
Government	36,642,858	9,404,600
Agricultural	7,299,523	1,707,616
	102,301,495	64,117,325

Rates are levied on monthly basis and repayable in twelve equal payments with the final date of payment being the municipality's year end. Interest equal to the prime rate as determined by the South African Reserve bank per annum is levied on outstanding rates.

In cents

Assessment rates are levied as follows

Vacant land	4	4
Residential	1	1
Business	2	2
State Owned	3	3
Industrial	2	2
Mining and Quarries	3	3
Farms - Commercial	2	2
Farms - Residential	1	1
Municipal properties	2	2
Private towns	1	1
Smallholdings - Commercial	2	2
Smallholdings - Residential	1	1
Informal settlements	1	1
Protected areas	1	1
National monuments	1	1
Multiple purpose	1	1
	28	28

Valuations

Residential	4,307,029,629	3,755,591,490
Business	1,196,089,910	1,329,015,055
Government	1,636,074,203	284,922,118
Municipal	72,382,100	1,414,627
Schools	-	4,899,000
Churches	39,100,001	2,426,923
Industrial	19,570,500	8,197,786
Agriculture	3,384,122,843	1,574,840,187
Other - Unimproved and industrial	1,663,839,103	696,195,855
	12,318,208,289	7,657,503,041

Assessment rates are charged on the valuation roll done before demarcation.

Valuations on land are performed every four years and the last general valuation came into effect on the following dates:

- General valuations 1 July 2014

Nkomazi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
27. Service charges		
Sale of electricity	75,832,090	55,892,236
Sale of water	15,942,477	12,385,237
Sewerage and sanitation charges	3,837,497	3,468,359
Refuse removal	5,508,286	5,106,381
	101,120,350	76,852,213
28. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	3,342,089	3,393,272
29. Interest earned - external		
Interest earned - external		
Bank	97,369	652,531
Investment	618,518	1,141,850
	715,887	1,794,381

Nkomazi Local Municipality

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Figures in Rand	2015	2014
30. Government grants and subsidies		
Equitable share	339,878,000	290,822,000
Municipal Infrastructure Grant	245,291,000	141,062,045
Financial Management Grant	1,600,000	1,550,000
Municipal Systems Improvement Grant	934,000	890,000
Integrated National Electrification Grant	8,393,703	19,000,060
Expanded Public Works Programme	5,451,000	7,535,767
Water Services Operating and Subsidy Grant	12,000,000	8,767,642
Disaster Relief Grant	22,093,361	-
HIV Grant	839,615	804,572
Municipal Water Infrastructure Grant	7,521,578	9,167,433
Rural Household Infrastructure Grant	4,501,374	4,261,300
	648,503,631	483,860,819

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	9,415,869
Current-year receipts	245,291,000	131,421,000
Conditions met - transferred to revenue	(245,291,000)	(140,836,869)
	-	-

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

Financial Management Grant

Current year - receipts	1,600,000	1,550,000
Conditions met - transferred to revenue	(1,600,000)	(1,550,000)
	-	-

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme

Balance unspent at beginning of year	-	1,491,767
Current-year receipts	5,451,000	6,044,000
Conditions met - transferred to revenue	(5,451,000)	(7,535,767)
	-	-

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
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30. Government grants and subsidies (continued)

Integrated National Electrification Grant

Balance unspent at beginning of year	1,699,350	924,587
Current-year receipts	9,000,000	20,000,000
Conditions met - transferred to revenue	(8,393,702)	(19,225,237)
	2,305,648	1,699,350

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Services Operating Subsidy Grant

Balance unspent at beginning of year	4,265,012	4,539,654
Current-year receipts	12,000,000	8,493,000
Conditions met - transferred to revenue	(12,000,000)	(8,767,642)
Transfer out - Roll over not approved	(4,265,012)	-
	-	4,265,012

This grant is intended to subsidise and build capacity in water schemes owned and / or operated by Department of Water Affairs (DWA) or by agencies on behalf of the department.

Municipal System Improvement Grant

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	10,711,567	-
Current-year receipts	-	19,879,000
Conditions met - transferred to revenue	(7,521,579)	(9,167,433)
Transfer out - Roll over not approved	(3,189,988)	-
	-	10,711,567

This grant is intended to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

Nkomazi Local Municipality

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Figures in Rand	2015	2014
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30. Government grants and subsidies (continued)

Rural Household Infrastructure Grant

Balance unspent at beginning of year	238,700	-
Current-year receipts	4,500,000	4,500,000
Conditions met - transferred to revenue	(4,501,374)	(4,261,300)
	237,326	238,700

This grant is intended to eradicate rural water and sanitation backlogs.

31. Public contributions and donations

Public contributions and donations	450,000	3,752,226
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The municipality received free transfer of movable and immovable asset that were created through Komatipoort Information Centre Project from department of tourism in 2014.

Furniture and office equipment - R52,226.38

Building - R3,700,000.00

32. Recoveries

Reduction in debt impairment	7,711,528	-
Legal fees recovered	601,447	1,035,463
	8,312,975	1,035,463

33. Other income

Building Plan Fees	798,653	615,036
Entrance Fees	1,196,538	1,137,402
Fire Fighting Services	9,039	5,106
Library membership fees	18,861	21,351
Sale of Game	45	855
Search Fees	1,136,659	643,657
Seta Training Refund	1,402,861	2,272,736
Sundry	2,620,267	950,422
Tender documents	520,761	692,538
	7,703,684	6,339,103

Nkomazi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
34. Employee related costs		
Salaries and wages	139,566,123	129,337,939
Medical aid and UIF contributions	10,401,711	9,204,333
Bonus	11,519,221	10,475,057
Overtime payments	24,727,150	20,225,208
Allowances	9,621,575	8,929,679
Housing benefits and other allowances	2,705,812	2,363,718
Pension fund contributions	29,506,785	28,597,879
Other employee related costs	2,084,251	1,796,305
Standby	3,577,756	3,171,643
Temporary employees	9,747,466	13,250,812
Subsistence and transport	18,210,365	15,810,194
	261,668,215	243,162,767
Remuneration of Municipal Manager - MD Ngwenya		
Annual Remuneration	980,000	1,002,050
Travel, car and other allowances	200,679	200,679
Contributions to UIF, Medical and Pension Funds	228,138	233,504
	1,408,817	1,436,233
Remuneration of Chief Financial Officer - BT Khoza		
Annual Remuneration	845,702	858,150
Travel, car and other allowances	157,922	172,279
Contributions to UIF, Medical and Pension Funds	174,060	201,473
	1,177,684	1,231,902
Remuneration of Acting Chief financial Officer - JW Mkhonto		
Acting allowance	41,776	-
Remuneration of Director Technical Services - WM Nhlambo		
Annual Remuneration	669,514	769,570
Travel, car and other allowances	76,903	83,895
Contributions to UIF, Medical and Pension Funds	174,478	201,611
	920,895	1,055,076
Remuneration of Acting Director Technical Services - EA Zitha		
Acting allowance	37,039	-
Remuneration of Director Community Services - ES Mahlalela		
Annual Remuneration	665,000	718,594
Travel, car and other allowances	51,261	51,261
Contributions to UIF, Medical and Pension Funds	187,039	155,080
	903,300	924,935
Remuneration of Director Planning and Development - DS Nkosi		
Annual Remuneration	665,000	728,549
Travel, car and other allowances	51,628	51,628

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
34. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	195,950	163,880
Acting allowance	1,193	-
	913,771	944,057
Remuneration of Director Corporate Services - SM Manzini		
Annual Remuneration	665,000	685,135
Travel, car and other allowances	134,979	134,979
Contributions to UIF, Medical and Pension Funds	155,399	161,640
	955,378	981,754
35. Remuneration of Councillors		
Executive Mayor	764,677	754,081
Speaker	615,708	588,927
Chief Whip	587,659	574,098
Mayoral Committee Members	2,923,494	2,832,185
Councillors basic remuneration	8,380,900	7,960,859
Councillors' pension and other contributions	2,236,663	1,961,093
Councillors' Allowances	4,782,478	4,465,270
	20,291,579	19,136,513
Executive Mayor - TS Khoza		
Annual Remuneration	467,350	460,076
Travel, car and other allowances	197,707	188,193
Contributions to pension fund and medical aid	99,620	105,812
	764,677	754,081
Speaker - KJ Macie		
Annual Remuneration	410,354	381,772
Travel, car and other allowances	143,801	149,889
Contributions to pension fund and medical aid	61,553	57,266
	615,708	588,927
Chief - S Mabuza		
Annual Remuneration	340,795	341,021
Travel, car and other allowances	161,599	149,265
Contributions to pension fund and medical aid	85,265	83,812
	587,659	574,098
Mayoral committee members		
Annual Remuneration	1,763,737	1,729,880
Travel, car and other allowances	774,632	736,568
Contributions to pension fund and medical aid	385,125	365,737
	2,923,494	2,832,185

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties and has a full time bodyguard.

Nkomazi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
36. Depreciation and amortisation		
Property, plant and equipment	48,875,685	49,110,057
Investment property	216,665	-
Intangible assets	83,464	79,910
	49,175,814	49,189,967
37. Impairment of assets		
Impairments		
Property, plant and equipment	2,252,452	6,789,731
The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and cost that is significantly higher than fair value due to value determined in 2008 where historical cost information was not available. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.		
The main classes of assets affected by impairment losses are:		
Buildings		
Infrastructure - Roads & paving		
Infrastructure - Electricity		
Infrastructure - Water		
Land		
Fair value less cost to sell		
Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.		
38. Finance costs		
Interest paid	3,531,357	1,630,238
Finance leases	50,402	31,149
Non-current borrowings	490,212	683,970
	4,071,971	2,345,357
39. Debt impairment		
Contributions to debt impairment provision	23,820,882	6,935,441
Bad debts written off	-	3,334,516
	23,820,882	10,269,957
40. Contracted services		
FMS Support Services	11,222,411	4,059,600
Security	22,260,156	18,027,491
Transport of Money	366,544	353,108
Fleet Management	1,657,086	826,245
	35,506,197	23,266,444

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
40. Contracted services (continued)		
41. Bulk purchases		
Electricity	58,945,480	56,042,272
Water	1,331,897	2,117,068
	60,277,377	58,159,340
42. General expenses		
Advertising	964,513	998,574
Auditors remuneration	3,115,513	3,708,140
Bank charges	1,111,140	1,339,794
Chemicals	16,573,330	13,561,688
Cleaning Material	173,614	270,267
Conferences	120,907	190,162
Consulting and professional fees	5,568,945	13,971,295
Data cleansing	1,953,749	729,800
Debt collection commission	6,037,650	1,034,642
Disaster Management	23,500,483	16,921,559
Electricity consumption	18,481,447	24,627,328
Entertainment	433,909	352,476
Fuel and Oil	10,493,005	11,912,890
GIS Shared services	5,000	250,000
IT systems	4,730,098	4,451,016
Insurance	939,352	4,814
License fees	2,814	26,057
Long-term development plans	-	3,334,001
Mayoral outreach	217,010	109,329
Municipal services	9,678,477	10,701,759
Networks and substations	1,019,606	874,440
New Connections	17,877,171	3,328,141
Occupational Health and Safety	-	86,711
Other expenses	452,695	617,636
Pest control	12,511	-
Postage and courier	147,816	216,777
Printing and stationery	1,195,937	1,383,356
Projects	23,182,765	21,487,946
Public Permits Staff	8,256	8,426
Refuse bags and holders	412,456	340,090
Rental of property and equipment	5,845,694	8,508,017
Sport Events	592,065	503,392
Stock and Material	872,909	1,113,990
Student financial aid support	230,952	40,580
Subscriptions and membership Fees	2,239,891	468,464
System development and support	240,396	381,100
Telephone and fax	2,191,313	2,617,097
Tollgate Fees	234,041	146,161
Town planning and township establishment fees	842,417	2,512,335
Traditional council	18,000	96,080
Training	3,653,418	3,460,114
Transvesal unit	-	680,244
Travel and accommodation - Local	3,851,967	2,428,484
Uniforms	608,280	1,730,618
Valuation roll	332,775	1,262,531
Ward Committees	82,650	538,965
Water Quality Monitoring	2,008,470	2,506,400
	172,255,407	165,833,686

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
43. Auditors' remuneration		
Fees	3,115,513	3,708,140
44. Cash generated from operations		
Surplus	260,395,032	45,160,730
Adjustments for:		
Depreciation and amortisation	49,175,813	49,189,967
Loss on disposal of game assets	2,318,451	(136,778)
Finance costs - Finance leases	50,402	31,149
Impairment loss	2,252,452	6,789,731
Bad debt provision	23,820,882	10,269,957
Movements in operating lease assets and accruals	(66,501)	21,366
Movements in provisions	311,430	28,270,327
Other non-cash items (clearing of old bank recon items)	-	8,275
Prior period errors	-	80,089,052
Changes in working capital:		
Increase / (decrease) in inventories	92,649	123,900
Receivables from exchange transaction	(29,061)	(11,142)
Consumer debtors - exchange transactions	(31,607,556)	(12,899,915)
Receivables from non-exchange transactions	(50,314,143)	(17,483,152)
Trade and other payables from exchange transactions	21,056,389	90,867,503
VAT	7,142,652	(21,078,009)
Unspent conditional grants and receipts	(14,371,655)	542,752
	270,227,236	259,755,713

Nkomazi Local Municipality

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45. Commitments

Authorised capital expenditure

Approved and already contracted for but not provided for

• Property, plant and equipment	3,375,991	3,596,265
• Infrastructure	96,970,066	138,491,615
• Other services	11,890,915	10,276,431
	112,236,972	152,364,311

Total capital commitments

Already contracted for but not provided for	112,236,972	152,364,311
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Funding sources

This expenditure will be financed from:

- Government and Other Grants	106,472,493	142,511,603
- Revenue and equitable share	5,764,480	9,852,708
	112,236,973	152,364,311

Operating leases - as lessee (expense)

Minimum lease payments due

- not later than one year	1,740,202	2,784,926
- later than one year and not later than five years	917,757	1,005,996
	2,657,959	3,790,922

Operating lease payments represent rentals payable by the municipality for certain of its properties. Leases are negotiated for an average term of three years to five years and rentals escalated by 10% per annum. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	416,848	209,821
- in second to fifth year inclusive	887,880	727,947
- later than five years	2,382	130,606
	1,307,110	1,068,374

Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable.

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46. Contingencies

Contingent liabilities

A Lubbe - Claim of R109,626.64 against unfair dismissal which might result in a possible loss of R300,000.00.

IMATU O.B.O L Lubisi - Claim of R120,270.00 for travel allowance.

Tarfix - Claim for retention money amounting to R2,679,068.48.

SM Shabangu - challenge againsts alleged unfair dismissal and anticipated costs claim of R1,020,000.00

Claim from Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1,264,063 for work done on the valuation roll for the municipality.

Matsamo cultural park - Claim for suffered damages caused by fire amounting to R1,500,000.00.

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6,614,932.91.

Employee related cost - The municipality has incorrectly implemented the 2010 South African Local Bargaining Council salary and wage collective agreement and this results in a probable contingent liability of R621,682.

Telkom SA Limited - Claim for damages for an amount of R59,346.17

Contingent assets

The municipality lodged a counter claim of R10,855,225.17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6,300,000.00 for breach of contract.

SM Shabangu - Claim for recovery of unauthorised expenditure amounting to R3,248,996.39

Employee related cost -The municipality has incorrectly implemented the 2010 South African Local Bargaining Council Categorisation and job evaluation wage curves collective agreement. The municipality moved from Post Level salary scale over to the Task Level salary scale. The municipality has not yet performed Job evaluations and the extent of the contingent assets is unknown until investigations are performed.

47. Related parties

Relationships

Business entity of a spouse of employee with significant influence

Business entities of municipal employees

Business entity that has partnership with employee of key management personnel

Post employment benefit plan for employees of municipality

Remuneration of key management personnel

Cicam Project Agency

Bilani Security (P Shongwe)

Bay City Trading 337

Refer to Note on Employee Retirement Benefit Plans

Refer to note on compensation to Municipal Manager, Chief Financial Officer, Executive Directors, Mayoral Committee and Other Councillors

Related party balances

Related party transactions

Purchases from (sales to) related parties

Cicam Project Agency	53,557	1,394,222
Bay City Trading 337	199,487	1,752,449

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48. Prior period errors

Property, plant and equipment were reclassified to the correct classes. Immovable assets that were not on the asset register is recognised on the asset register. Movable assets that were written off in prior periods were verified during 2015 asset verification and brought back to the asset register. Accumulated depreciation for prior period that was incorrectly calculated was recalculated and corrected.

Recording of operating lease agreement that was excluded.

Correction of prior period salary suspense for third party payments which were not reconciled.

Correction of prior period creditors control account transactions that was not finalised at previous year ends.

Recording of traffic fines cash book account opening balance.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Accumulated surplus	-	78,034,593
Traffic cash book account	-	19,450
Operating lease asset	-	39,049
Trade and other payables_salary suspense	-	(1,615,702)
Infrastructure_water_cost	-	9,827
Accum dep_Infra_water	-	(9,827)
Trade and other payables_creditors control	-	116,274
Infrastructure water_cost	-	5,580,617
Infrastructure sewer_cost	-	(5,367,968)
Infrastructure solid waste_cost	-	(212,649)
Plant and Machinery_cost	-	186,394
Furniture and office equipment_cost	-	45,164
Motor vehicles_cost	-	192,731
IT Equipment_cost	-	16,992
Buildings_accumulated depreciation	-	8,942,240
Roads_accumulated depreciation	-	17,297,461
Sewer_accumulated depreciation	-	706,434
Electricity_accumulated depreciation	-	1,174,208
Water_accumulated depreciation	-	14,888,145
Solid waste_accumulated depreciation	-	(236,645)
Furniture and office equipment_accumulated depreciation	-	881
Machinery and equipment_accumulated depreciation	-	1,280,745
Computer equipment_accumulated depreciation	-	182,744
Motor vehicles_accumulated depreciation	-	(1,724,698)
Intangible assets_accumulated depreciation	-	(8,176)
Investment property_accumulated depreciation	-	(1,430,164)
Land_cost	-	37,966,100
Land_cost	-	(8,364,755)
Investment property_cost	-	8,364,755
Buildings_cost	-	(3,752,001)
Investment property_cost	-	3,752,001

Nkomazi Local Municipality

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49. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	508,335	2,154,940	-	-
Trade and other payables	224,846,429	-	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	430,989	2,673,785	-	-
Trade and other payables	202,290,613	-	-	-
Bank overdraft	4,433,374	-	-	-

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit Risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks. Credit Risk related to consumer debtors is managed in accordance with the Council's credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

Financial instrument	2015	2014
Cash and cash equivalents	38,114,336	8,398,800
Receivable from non-exchange transactions	101,222,660	50,908,517
Receivable from exchange transactions	26,553,601	18,737,866
Deposits made	9,015,835	3,505,209

50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

51. Unauthorised expenditure

Unauthorised expenditure - Opening balance	72,757,247	36,906,702
Unauthorised expenditure - Current year	186,661,891	118,723,887
Unauthorised expenditure - Condoned by Council	-	(82,873,342)
	259,419,138	72,757,247

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget. The unauthorised expenditure of R259,419,138 is awaiting for authorisation. The unauthorised expenditure is irrecoverable.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
52. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure - Opening balance	114,583	2,082,215
Fruitless and wasteful expenditure - Other: Current year	4,120,861	1,100,882
Telkom interest	-	6,486
	-	(3,075,000)
	4,235,444	114,583

Fruitless and wasteful expenditure is as a result of interest charged by suppliers due to late payments. Fruitless and wasteful expenditure of R4,235,444 is awaiting for authorisation. The fruitless and wasteful expenditure is irrecoverable.

53. Irregular expenditure

Irregular expenditure - Opening balance	133,185,505	76,955,732
Irregular expenditure - Current year	-	56,229,773
	133,185,505	133,185,505

Irregular expenditure is as a result of expenditure incurred by the municipality that is not in accordance with, a requirement of the supply chain management policy. Irregular expenditure of R133,185,505 is awaiting to be submitted for authorisation. The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	11,747	11,020
Current year membership fee	155,822	140,538
Amount paid - current year	(154,524)	(139,811)
Due and payable	13,045	11,747

Non-compliance with applicable legislation

MFMA: Section 65(e) and Section 99(2)(b)

All invoices are not paid within 30 days as required by section 65(e).

Audit fees

Opening balance	449,248	-
Current year fee	3,159,329	3,196,294
Amount paid - current year	(3,158,302)	(2,747,046)
Due and payable	450,275	449,248

PAYE and UIF

Opening balance	213,171	2,036,715
Current year deductions and contributions	29,846,838	27,443,881
Amount paid - current year	(27,499,329)	(29,267,425)
	2,560,680	213,171

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension and Medical Aid Deductions

Opening balance	4,503,598	3,995,651
Current year deductions and contributions	58,557,901	54,460,307
Amount paid - current year	(58,042,903)	(53,952,360)
	5,018,596	4,503,598

VAT

VAT receivable	25,260,519	32,403,171
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VAT output payables and VAT input receivables are shown in note 9.

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts outstanding for more than 30 days at 30 June 2015:

Deviations

Incident

Deviations - Opening balance	218,401	937,332
Deviations - current year	2,584,630	25,780,892
Deviations noted by council	(2,803,031)	(26,499,823)
	-	218,401

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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55. Distribution losses

Water	Year	Kilo litres pumped	Kilo litres sold	Loss in kilo litres	Loss in percentage
	30 June 2015	14,332,575	1,855,463	12,477,112	87%
	30 June 2014	20,856,947	2,109,575	18,747,372	90%

The total loss of 12,477,112 (2014: 18,747,372) kilo litres includes straight losses of 10,956,132 (2014: 18,389,516) kilo litres distributed to rural areas where the municipality does not collect any revenue for water.

Water distribution loss calculated value amounts to R62,136,019 (2014: R84,792,878).

Electricity	Year	Units purchased	Units sold	Loss in units	Loss in percentage
	30 June 2015	74,195,409	55,488,725	18,706,684	25%
	30 June 2014	73,311,322	49,847,844	23,463,478	32%

Electricity distribution loss calculated value amounts to R20,328,553 (2014: R24,167,382).

Nkomazi Local Municipality

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
Loan @ 16.5% (Upgrading of Malelane Infrastructure)	61003108	2019	3,232,478	-	459,644	2,772,834	-
Loan @ 15.26%	61002393	2012	15	-	-	15	-
			3,232,493	-	459,644	2,772,849	-
INCA loan							
Lease liability							
Total external loans							
Development Bank of South Africa			3,232,493	-	459,644	2,772,849	-
			3,232,493	-	459,644	2,772,849	-

Nkomazi Local Municipality

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost

Accumulated depreciation

	Opening Balance	Additions	Donations	Transfers - WIP completed	Disposals	Closing Balance	Opening Balance	Write off	Impairment loss	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings												
Land	473,202,928	-	-	-	-	473,202,928	-	-	-	-	-	473,202,928
Buildings	111,360,242	2,674,609	-	9,672,867	-	123,707,718	(23,388,268)	-	-	(4,400,207)	(27,788,475)	95,919,243
Work in progress_buildings	13,354,772	2,125,155	-	(9,672,867)	-	5,807,060	-	-	-	-	-	5,807,060
	597,917,942	4,799,764	-	-	-	602,717,706	(40,921,828)	-	-	(7,646,868)	(48,568,696)	554,149,010
Infrastructure												
Main: Roads and stormwater	199,608,934	4,165,058	-	24,969,588	-	228,743,580	(44,220,902)	-	-	(9,474,489)	(53,695,391)	175,048,189
Sewerage mains & purification	5,611,936	122,205	-	3,438,671	-	9,172,812	(473,419)	-	-	(164,174)	(637,593)	8,535,219
Main: Electricity	94,011,542	9,298,385	-	8,065,175	-	111,375,102	(13,682,719)	-	-	(3,171,692)	(16,854,411)	94,520,691
Main: Water and purification	581,654,316	133,023,339	-	54,086,834	-	768,764,489	(117,054,883)	-	-	(25,745,916)	(142,800,799)	625,963,690
Solid waste	26,301,893	1,095,875	-	3,906,633	-	31,304,401	(710,075)	-	-	(613,989)	(1,324,064)	29,980,337
Work in progress_Infrastructure	194,101,012	76,556,159	-	(94,466,901)	-	176,190,270	-	-	-	-	-	176,190,270
	1,101,289,633	224,261,021	-	-	-	1,325,550,654	(176,141,998)	-	-	(39,170,260)	(215,312,258)	1,110,238,396
Other Assets												
Furniture and office equipment	7,855,843	15,439	-	-	-	7,871,282	(5,684,208)	-	-	(636,017)	(6,320,225)	1,551,057
Machinery and equipment	23,847,054	1,226,181	-	-	-	25,073,235	(10,727,125)	-	-	(2,128,038)	(12,855,163)	12,218,072
Computer equipment	6,505,541	271,632	-	-	-	6,777,173	(4,169,699)	-	-	(692,444)	(4,862,143)	1,915,030
Transport assets	36,315,648	-	-	-	-	36,315,648	(26,308,455)	-	-	(2,748,074)	(29,056,529)	7,259,119
Game	9,626,670	92,501	-	-	(2,410,951)	7,308,220	-	-	-	-	-	7,308,220
	84,150,756	1,605,753	-	-	(2,410,951)	83,345,558	(46,889,487)	-	-	(6,204,573)	(53,094,060)	30,251,498

Nkomazi Local Municipality

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

Cost

Accumulated depreciation

	Opening Balance	Additions	Donations	Transfers - WIP completed	Disposals	Closing Balance	Opening Balance	Write off	Impairment loss	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets												
Historical Assets	2,812,819	-	-	-	-	2,812,819	-	-	-	-	-	2,812,819
	2,812,819	-	-	-	-	2,812,819	-	-	-	-	-	2,812,819
Investment Property												
Investment property	34,386,799	-	-	-	-	34,386,799	-	-	-	-	-	34,386,799
	34,386,799	-	-	-	-	34,386,799	-	-	-	-	-	34,386,799
Intangible Assets												
Computer software	509,034	56,986	-	-	-	566,020	(246,043)	-	-	(83,464)	(329,507)	236,513
	509,034	56,986	-	-	-	566,020	(246,043)	-	-	(83,464)	(329,507)	236,513
Total property plant and equipment	1,821,066,983	230,723,524	-	-	(2,410,951)	2,049,379,556	(264,199,356)	-	-	(53,105,165)	(317,304,521)	1,732,075,035
Intangible assets												
Investment properties												
Total												
Land and buildings	597,917,942	4,799,764	-	-	-	602,717,706	(40,921,828)	-	-	(7,646,868)	(48,568,696)	554,149,010
Infrastructure	1,101,289,633	224,261,021	-	-	-	1,325,550,654	(176,141,998)	-	-	(39,170,260)	(215,312,258)	1,110,238,396
Other Assets	84,150,756	1,605,753	-	-	(2,410,951)	83,345,558	(46,889,487)	-	-	(6,204,573)	(53,094,060)	30,251,498
Heritage assets	2,812,819	-	-	-	-	2,812,819	-	-	-	-	-	2,812,819
Investment Property	34,386,799	-	-	-	-	34,386,799	-	-	-	-	-	34,386,799
Intangible Assets	509,034	56,986	-	-	-	566,020	(246,043)	-	-	(83,464)	(329,507)	236,513
	1,821,066,983	230,723,524	-	-	(2,410,951)	2,049,379,556	(264,202,599)	-	-	(53,105,165)	(317,307,764)	1,732,071,792

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended 30 June 2015

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
7,535,767	47,402,797	(39,867,030)	Executive & Council/Mayor and Council	5,451,000	45,899,704	(40,448,704)
211,873,469	77,280,866	134,592,603	Finance & Admin/Finance	276,714,110	104,180,390	172,533,720
4,837,674	19,510,442	(14,672,768)	Planning and Development/Economic Development/Plan	1,430,745	15,232,949	(13,802,204)
7,209,287	55,420,578	(48,211,291)	Corporate services	5,346,397	43,258,032	(37,911,635)
44,823,360	121,734,809	(76,911,449)	Comm. & Social/Libraries and archives	102,231,571	141,457,118	(39,225,547)
4,057,683	15,028,426	(10,970,743)	Civil administration & PMU	4,836,693	12,464,920	(7,628,227)
7,729,659	21,367,347	(13,637,688)	Waste Water Management/Sewerage	8,339,968	22,925,686	(14,585,718)
64,275	30,886,479	(30,822,204)	Road Transport/Roads	12,771	34,979,085	(34,966,314)
253,913,527	129,741,444	124,172,083	Water/Water Distribution	383,100,263	126,912,241	256,188,022
118,740,772	97,251,555	21,489,217	Electricity /Electricity Distribution	134,539,243	111,964,284	22,574,959
660,785,473	615,624,743	45,160,730		922,002,761	659,274,409	262,728,352
Other charges						
660,785,473	615,624,743	45,160,730	Municipality	922,002,761	659,274,409	262,728,352
660,785,473	615,624,743	45,160,730	Total	922,002,761	659,274,409	262,728,352

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	102,301,495	81,773,272	20,528,223	25.1	
Service charges	101,120,351	83,880,862	17,239,489	20.6	
Rental of facilities and equipment	3,342,089	5,163,434	(1,821,345)	(35.3)	
Interest received (trading)	3,628,707	1,633,058	1,995,649	122.2	
Agency services	8,574,281	13,333,628	(4,759,347)	(35.7)	
Public contributions and donations	797,446	-	797,446	-	
Fines	37,336,240	8,802,328	28,533,912	324.2	
Licences and permits	13,420	20,429	(7,009)	(34.3)	
Government grants & subsidies	640,663,648	598,534,464	42,129,184	7.0	
Recoveries	8,312,975	765,020	7,547,955	986.6	
Other income - (rollup)	7,703,683	5,848,720	1,854,963	31.7	
Interest received - investment	715,888	662,000	53,888	8.1	
	914,510,223	800,417,215	114,093,008	14.3	
Expenses					
Personnel	(268,026,872)	(226,260,523)	(41,766,349)	18.5	
Remuneration of councillors	(20,291,578)	(19,121,118)	(1,170,460)	6.1	
Depreciation	(49,092,350)	(60,706,357)	11,614,007	(19.1)	
Impairment	-	(3,690,544)	3,690,544	(100.0)	
Amortisation	(83,464)	-	(83,464)	-	
Impairments	(2,252,452)	-	(2,252,452)	-	
Finance costs	(4,071,970)	(1,330,352)	(2,741,618)	206.1	
Bad debts written off	(23,820,882)	(17,045,171)	(6,775,711)	39.8	
Bulk purchases	(60,277,378)	(71,542,723)	11,265,345	(15.7)	

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2015 Act. Bal.	Current year 2015 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Contracted Services	(35,506,197)	(22,488,748)	(13,017,449)	57.9
General Expenses	(195,866,127)	(193,625,235)	(2,240,892)	1.2
	(659,289,270)	(615,810,771)	(43,478,499)	7.1
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(2,318,451)	-	(2,318,451)	-
	(2,318,451)	-	(2,318,451)	-
Net surplus/ (deficit) for the year	252,902,502	184,606,444	68,296,058	37.0
Profit/(Loss) for the year				
	252,902,502	184,606,444	68,296,058	37.0

Nkomazi Local Municipality

Appendix E(2)

June 2015

Actual versus Budget (Acquisition of property, Plant and Equipment) as at 30 June 2015

	Additions	Original	Revised	Variance	Variance	Explanation of significant
	Rand	Budget	Budget	Rand	%	variances from budget
		Rand	Rand			
Municipality						
Executive & Council/Mayor and Council	31,190	227,200	70,000	(38,810)	(55)	
Budget & Treasury	-	200,000	-	-	-	
Corporate Services	1,456,790	2,000,000	-	(543,210)	25	
Community & Social Services	5,896,956	4,657,393	10,500,634	(4,603,678)	34	
Infrastructure Development	223,246,071	224,379,306	247,227,356	(23,981,285)	58	
	230,631,007	231,463,899	257,797,990	(29,166,983)	(11)	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun
EQS	-	134,535,000	109,565,000	-	88,323,000	-	-	-	-	-	-	-	-	-	-
MIG	-	21,978,000	124,133,000	99,180,000	-	-	-	-	-	-	-	-	-	-	-
RHIG	-	-	-	4,500,000	-	-	-	-	-	-	-	-	-	-	-
FMG	-	1,600,000	-	-	-	-	-	-	-	-	-	-	-	-	-
MSIG	-	934,000	-	-	-	-	-	-	-	-	-	-	-	-	-
WSOG	-	-	-	12,000,000	-	-	-	-	-	-	-	-	-	-	-
INEG	-	-	7,900,000	1,100,000	-	-	-	-	-	-	-	-	-	-	-
EPWP	-	2,180,000	1,636,000	1,635,000	-	-	-	-	-	-	-	-	-	-	-
MDG	-	6,225,000	-	15,868,361	-	-	-	-	-	-	-	-	-	-	-
	-	167,452,000	243,234,000	134,283,361	88,323,000	-	-	-	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification)

for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	265,327,884	(5,595,033)	259,732,851	-		259,732,851	226,402,238		(33,330,613)	87 %	85 %				229,949,594
Executive and council	5,428,800	-	5,428,800	-		5,428,800	7,535,767		2,106,967	139 %	139 %				6,245,233
Budget and treasury office	253,666,239	(5,290,643)	248,375,596	-		248,375,596	211,873,469		(36,502,127)	85 %	84 %				219,071,921
Corporate services	6,232,845	(304,390)	5,928,455	-		5,928,455	6,993,002		1,064,547	118 %	112 %				4,632,440
Community and public safety	780,965	14,416,949	15,197,914	-		15,197,914	2,797,287		(12,400,627)	18 %	358 %				235,195
Community and social services	110,699	259	110,958	-		110,958	89,534		(21,424)	81 %	81 %				80,144
Sport and recreation	-	50,000	50,000	-		50,000	-		(50,000)	-	DIV/0 %				-
Public safety	670,266	14,366,690	15,036,956	-		15,036,956	2,707,753		(12,329,203)	18 %	404 %				155,051
Economic and environmental services	21,847,131	830,762	22,677,893	-		22,677,893	18,886,857		(3,791,036)	83 %	86 %				15,832,324
Planning and development	6,436,555	830,762	7,267,317	-		7,267,317	9,699,929		2,432,612	133 %	151 %				4,334,077
Road transport	13,343,739	-	13,343,739	-		13,343,739	7,911,893		(5,431,846)	59 %	59 %				10,330,602
Environmental protection	2,066,837	-	2,066,837	-		2,066,837	1,275,035		(791,802)	62 %	62 %				1,167,645
Trading services	289,715,339	213,093,219	502,808,558	-		502,808,558	412,699,091		(90,109,467)	82 %	142 %				352,753,515
Electricity	119,324,071	2,140,685	121,464,756	-		121,464,756	118,740,772		(2,723,984)	98 %	100 %				105,293,709
Water	133,323,581	206,825,918	340,149,499	-		340,149,499	257,856,519		(82,292,980)	76 %	193 %				219,701,288
Waste water management	3,960,841	4,603,909	8,564,750	-		8,564,750	7,729,659		(835,091)	90 %	195 %				2,724,906
Waste management	33,106,846	(477,293)	32,629,553	-		32,629,553	28,372,141		(4,257,412)	87 %	86 %				25,033,612
Total Revenue - Standard	577,671,319	222,745,897	800,417,216	-		800,417,216	660,785,473		(139,631,743)	83 %	114 %				598,770,628
Expenditure - Standard															
Governance and administration	185,993,927	-	185,993,927	-	-	185,993,927	180,273,785	(6,088,617)	(5,720,142)	97 %	97 %	8,503,859	-	(8,503,859)	130,045,064
Executive and council	47,117,884	-	47,117,884	-	-	47,117,884	47,402,797	4,180,880	284,913	101 %	101 %	1,136,326	-	(1,136,326)	34,510,887
Budget and treasury office	99,640,493	-	99,640,493	-	-	99,640,493	77,280,866	(20,990,506)	(22,359,627)	78 %	78 %	-	-	-	58,499,035
Corporate services	39,235,550	-	39,235,550	-	-	39,235,550	55,590,122	10,721,009	16,354,572	142 %	142 %	7,367,533	-	(7,367,533)	37,035,142
Community and public safety	34,544,484	5,920,502	40,464,986	-	-	40,464,986	53,244,449	21,345,290	12,779,463	132 %	154 %	-	-	-	37,839,911
Community and social services	5,767,375	224,438	5,991,813	-	-	5,991,813	5,692,831	274,271	(298,982)	95 %	99 %	-	-	-	4,916,163
Sport and recreation	106,530	-	106,530	-	-	106,530	209,761	31,150	103,231	197 %	197 %	-	-	-	110,287
Public safety	28,670,579	5,696,064	34,366,643	-	-	34,366,643	47,341,857	21,039,869	12,975,214	138 %	165 %	-	-	-	32,813,461
Economic and environmental services	110,543,009	1,143,865	111,686,874	-	-	111,686,874	100,586,457	(9,772,872)	(11,100,417)	90 %	91 %	-	-	-	87,787,549
Planning and development	59,559,042	798,280	60,357,322	-	-	60,357,322	49,402,030	(10,533,725)	(10,955,292)	82 %	83 %	-	-	-	40,777,095
Road transport	44,406,428	345,585	44,752,013	-	-	44,752,013	43,535,377	(693,443)	(1,216,636)	97 %	98 %	-	-	-	41,474,000
Environmental protection	6,577,539	-	6,577,539	-	-	6,577,539	7,649,050	1,454,296	1,071,511	116 %	116 %	-	-	-	5,536,454
Trading services	250,401,394	(12,039,377)	238,362,017	-	-	238,362,017	281,520,052	39,934,197	43,158,035	118 %	112 %	-	-	-	245,557,411
Electricity	91,701,182	(10,010)	91,691,172	-	-	91,691,172	97,251,555	16,383,508	5,560,383	106 %	106 %	-	-	-	89,890,440
Water	124,969,998	(12,000,000)	112,969,998	-	-	112,969,998	130,162,495	1,953,073	17,192,497	115 %	104 %	-	-	-	115,136,712
Waste water management	3,539,457	-	3,539,457	-	-	3,539,457	20,537,995	17,027,172	16,998,538	580 %	580 %	-	-	-	11,131,870
Waste management	30,190,757	(29,367)	30,161,390	-	-	30,161,390	33,568,007	4,570,444	3,406,617	111 %	111 %	-	-	-	29,398,389
Total Expenditure - Standard	581,482,814	(4,975,010)	576,507,804	-	-	576,507,804	615,624,743	45,417,998	39,116,939	107 %	106 %	8,503,859	-	(8,503,859)	501,229,935
Surplus/(Deficit) for the year	(3,811,495)	227,720,907	223,909,412	-		223,909,412	45,160,730		(178,748,682)	20 %	(1,185)%				97,540,693

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - Executive & Council	5,428,800	-	5,428,800	-		5,428,800	5,451,000		22,200	100 %	100 %				6,245,233
Vote 2 - Budget & Treasury Office	253,666,239	(5,290,643)	248,375,596	-		248,375,596	276,537,691		28,162,095	111 %	109 %				219,071,921
Vote 3 - Corporate Services	6,232,845	(304,390)	5,928,455	-		5,928,455	5,346,397		(582,058)	90 %	86 %				4,632,440
Vote 4 - Planning & Development	1,599,862	(8,853)	1,591,009	-		1,591,009	1,430,745		(160,264)	90 %	89 %				716,299
Vote 5 - Community & Social Services	49,288,277	14,779,271	64,067,548	-		64,067,548	102,231,571		38,164,023	160 %	207 %				36,866,902
Vote 6 - Infrastructure & Development	261,455,297	213,570,512	475,025,809	-		475,025,809	523,512,406		48,486,597	110 %	200 %				331,237,831
Total Revenue by Vote	577,671,320	222,745,897	800,417,217	-		800,417,217	914,509,810		114,092,593	114 %	158 %				598,770,626
Expenditure by Vote to be appropriated															
Vote 1 - Executive & Council	47,117,884	-	47,117,884	-	-	47,117,884	45,899,704	4,180,880	(1,218,180)	97 %	97 %	1,136,326	-	(1,136,326)	34,510,887
Vote 2 - Budget & Treasury Office	99,640,493	-	99,640,493	-	-	99,640,493	129,484,758	(20,990,506)	29,844,265	130 %	130 %	-	-	-	58,499,035
Vote 3 - Corporate Services	39,235,550	-	39,235,550	-	-	39,235,550	43,031,325	10,721,009	3,795,775	110 %	110 %	7,367,533	-	(7,367,533)	37,035,142
Vote 4 - Planning & Development	27,710,854	-	27,710,854	-	-	27,710,854	15,232,949	(9,497,572)	(12,477,905)	55 %	55 %	-	-	-	14,400,771
Vote 5 - Community & Social Services	98,625,434	7,035,000	105,660,434	-	-	105,660,434	146,979,550	27,398,280	41,319,116	139 %	149 %	2,642,809	-	(2,642,809)	95,712,063
Vote 6 - Infrastructure & Development	269,152,598	(12,010,010)	257,142,588	-	-	257,142,588	289,801,712	33,605,908	32,659,124	113 %	108 %	30,039,859	-	(30,039,859)	261,072,036
Total Expenditure by Vote	581,482,813	(4,975,010)	576,507,803	-	-	576,507,803	670,429,998	45,417,999	93,922,195	116 %	115 %	41,186,527	-	(41,186,527)	501,229,934
Surplus/(Deficit) for the year	(3,811,493)	227,720,907	223,909,414	-		223,909,414	244,079,812		20,170,398	109 %	(6,404)%				97,540,692

Appendix G3

Budgeted Financial Performance (revenue and expenditure)

for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	81,773,272	-	81,773,272	-		81,773,272	102,301,495		20,528,223	125 %	125 %				64,117,324
Service charges - electricity revenue	68,342,371	(8,558,665)	59,783,706	-		59,783,706	75,832,091		16,048,385	127 %	111 %				55,892,235
Service charges - water revenue	19,360,181	(4,528,388)	14,831,793	-		14,831,793	15,942,477		1,110,684	107 %	82 %				11,801,910
Service charges - sanitation revenue	3,960,841	(134,791)	3,826,050	-		3,826,050	3,837,497		11,447	100 %	97 %				2,719,609
Service charges - refuse revenue	5,916,606	(477,293)	5,439,313	-		5,439,313	5,508,286		68,973	101 %	93 %				5,106,381
Rental of facilities and equipment	4,573,913	589,522	5,163,435	-		5,163,435	3,342,089		(1,821,346)	65 %	73 %				3,820,211
Interest earned - external investments	2,662,000	(2,000,000)	662,000	-		662,000	715,473		53,473	108 %	27 %				3,047,658
Interest earned - outstanding debtors	5,463,492	(3,830,433)	1,633,059	-		1,633,059			(1,633,059)	- %	- %				2,694,724
Fines	665,500	8,136,829	8,802,329	-		8,802,329	37,336,240		28,533,911	424 %	5,610 %				9,594,434
Licences and permits	29,282	(8,853)	20,429	-		20,429	13,420		(7,009)	66 %	46 %				29,554
Agency services	13,333,628	-	13,333,628	-		13,333,628	8,574,281		(4,759,347)	64 %	64 %				9,943,341
Transfers recognised - operational	364,477,493	7,264,615	371,742,108	-		371,742,108	367,457,367		(4,284,741)	99 %	101 %				274,787,275
Other revenue	7,112,742	(499,002)	6,613,740	-		6,613,740	20,442,811		13,829,071	309 %	287 %				30,426,951
Total Revenue (excluding capital transfers and contributions)	577,671,321	(4,046,459)	573,624,862	-		573,624,862	641,303,527		67,678,665	112 %	111 %				474,118,385
Expenditure By Type															
Employee related costs	226,291,538	(31,015)	226,260,523	-	-	226,260,523	268,026,872	14,304,242	41,766,349	118 %	118 %	-	-	-	200,074,804
Remuneration of councillors	19,121,118	-	19,121,118	-	-	19,121,118	20,291,578	1,021,720	1,170,460	106 %	106 %	-	-	-	19,136,512
Debt impairment	17,045,171	-	17,045,171	-	-	17,045,171	23,820,882	-	6,775,711	140 %	140 %	-	-	-	10,269,957
Depreciation & asset impairment	64,396,900	-	64,396,900	-	-	64,396,900	51,428,266	3,250	(12,968,634)	80 %	80 %	-	-	-	55,979,697
Finance charges	930,352	400,000	1,330,352	-	-	1,330,352	4,071,970	1,814	2,741,618	306 %	438 %	-	-	-	2,345,358
Bulk purchases	71,542,723	-	71,542,723	-	-	71,542,723	60,277,378	8,071,472	(11,265,345)	84 %	84 %	-	-	-	58,159,340
Other materials	1,653,158	73,860	1,727,018	-	-	1,727,018	-	216,517	(1,727,018)	- %	- %	-	-	-	1,309,506
Contracted services	18,652,934	3,835,814	22,488,748	-	-	22,488,748	35,506,197	5,027,491	13,017,449	158 %	190 %	-	-	-	23,266,444
Transfers and grants	211,200	19,752	230,952	-	-	230,952	-	-	(230,952)	- %	- %	-	-	-	96,586
Other expenditure	161,637,719	(9,273,420)	152,364,299	-	-	152,364,299	207,869,174	16,771,494	55,504,875	136 %	129 %	-	-	-	141,694,643
Total Expenditure	581,482,813	(4,975,009)	576,507,804	-	-	576,507,804	671,292,317	45,418,000	94,784,513	116 %	115 %	-	-	-	512,332,847
Surplus/(Deficit)	(3,811,492)	928,550	(2,882,942)	-		(2,882,942)	(29,988,790)	(45,418,000)	(27,105,848)	1,040 %	787 %				(38,214,462)
Transfers recognised - capital	219,381,506	7,410,850	226,792,356	-		226,792,356	273,206,281		46,413,925	120 %	125 %				142,971,506
Surplus/(Deficit) after capital transfers & contributions	215,570,014	8,339,400	223,909,414	-		223,909,414	243,217,491		19,308,077	109 %	113 %				104,757,044
Surplus/(Deficit) after taxation	215,570,014	8,339,400	223,909,414	-		223,909,414	243,217,491		19,308,077	109 %	113 %				104,757,044
Surplus/(Deficit) attributable to municipality	215,570,014	8,339,400	223,909,414	-		223,909,414	243,217,491		19,308,077	109 %	113 %				104,757,044
Surplus/(Deficit) for the year	215,570,014	8,339,400	223,909,414	-		223,909,414	243,217,491		19,308,077	109 %	113 %				104,757,044

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

	2015/2014									2014/2013					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Community & Social Services	3,557,393	5,843,241	9,400,634	-	-	9,400,634	-	-	(9,400,634)	- %	- %	-	-	-	-
Vote 6 - Infrastructure & Development	164,296,913	33,489,232	197,786,145	-	-	197,786,145	108,497,861	14,653,168	(89,288,284)	55 %	66 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	167,854,306	39,332,473	207,186,779	-	-	207,186,779	108,497,861	14,653,168	(98,688,918)	52 %	65 %	-	-	-	-
Single-year expenditure															
Vote 1 - Executive & Council	227,200	(157,200)	70,000	-	-	70,000	24,242	24,242	(45,758)	35 %	11 %	6,885	-	(6,885)	114,345
Vote 2 - Budget & Treasury Office	200,000	(200,000)	-	-	-	-	175,103	-	175,103	DIV/0 %	88 %	-	-	-	104,380
Vote 3 - Corporate Services	2,000,000	-	2,000,000	-	-	2,000,000	910,905	-	(1,089,095)	46 %	46 %	13,314	-	(13,314)	1,922,917
Vote 4 - Planning & Development	-	-	-	-	-	-	4,033,652	-	4,033,652	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Community & Social Services	1,100,000	-	1,100,000	-	-	1,100,000	16,052,347	325,433	14,952,347	1,459 %	1,459 %	32,930	-	(32,930)	8,853,660
Vote 6 - Infrastructure & Development	59,525,000	(19,484,423)	40,040,577	-	-	40,040,577	31,373,897	7,607,922	(8,666,680)	78 %	53 %	4,223,695	-	(4,223,695)	120,949,606
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	63,052,200	(19,841,623)	43,210,577	-	-	43,210,577	52,570,146	7,957,597	9,359,569	122 %	83 %	4,276,824	-	(4,276,824)	-
Total Capital Expenditure - Vote	230,906,506	19,490,850	250,397,356	-	-	250,397,356	161,068,007	22,610,765	(89,329,349)	64 %	70 %	4,276,824	-	(4,276,824)	-
Capital Expenditure - Standard															
Governance and administration	2,427,200	(357,200)	2,070,000	-	-	2,070,000	1,110,250	24,242	(959,750)	54 %	46 %	20,199	-	(20,199)	2,141,642
Executive and council	227,200	(157,200)	70,000	-	-	70,000	24,242	24,242	(45,758)	35 %	11 %	6,885	-	(6,885)	114,345
Budget and treasury office	200,000	(200,000)	-	-	-	-	175,103	-	175,103	DIV/0 %	88 %	-	-	-	104,380
Corporate services	2,000,000	-	2,000,000	-	-	2,000,000	910,905	-	(1,089,095)	46 %	46 %	13,314	-	(13,314)	1,922,917
Community and public safety	-	-	-	-	-	-	580,165	21,115	580,165	DIV/0 %	DIV/0 %	-	-	-	426,701
Community and social services	-	-	-	-	-	-	395,550	-	395,550	DIV/0 %	DIV/0 %	-	-	-	424,958

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	184,615	21,115	184,615	DIV/0 %	DIV/0 %	-	-	-	1,743
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	67,044,618	(26,942,082)	40,102,536	-	-	40,102,536	54,288,048	5,034,548	14,185,512	135 %	81 %	2,053,961	-	(2,053,961)	19,786,302
Planning and development	3,057,393	5,914,442	8,971,835	-	-	8,971,835	14,923,308	-	5,951,473	166 %	488 %	25,737	-	(25,737)	7,337,723
Road transport	63,987,225	(32,856,524)	31,130,701	-	-	31,130,701	39,364,740	5,034,548	8,234,039	126 %	62 %	2,021,031	-	(2,021,031)	11,782,009
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	7,193	-	(7,193)	666,570
Trading services	161,434,688	46,790,131	208,224,819	-	-	208,224,819	98,343,954	17,530,859	(109,880,865)	47 %	61 %	2,202,664	-	(2,202,664)	109,590,262
Electricity	14,600,000	1,709,350	16,309,350	-	-	16,309,350	19,297,747	73,252	2,988,397	118 %	132 %	142,411	-	(142,411)	19,617,972
Water	123,134,688	44,913,283	168,047,971	-	-	168,047,971	76,714,695	13,175,059	(91,333,276)	46 %	62 %	1,805,970	-	(1,805,970)	86,736,441
Waste water management	22,500,000	238,700	22,738,700	-	-	22,738,700	-	3,978,231	(22,738,700)	- %	- %	254,283	-	(254,283)	2,813,183
Waste management	1,200,000	(71,202)	1,128,798	-	-	1,128,798	2,331,512	304,317	1,202,714	207 %	194 %	-	-	-	422,666
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	230,906,506	19,490,849	250,397,355	-	-	250,397,355	154,322,417	22,610,764	(96,074,938)	62 %	67 %	4,276,824	-	(4,276,824)	131,944,907
Funded by:															
National Government	219,381,506	7,410,850	226,792,356	-		226,792,356	273,206,281		46,413,925	120 %	125 %				-
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	219,381,506	7,410,850	226,792,356	-		226,792,356	273,206,281		46,413,925	120 %	125 %				-
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	11,525,000	-	11,525,000	-		11,525,000	13,086,639		1,561,639	114 %	114 %				-
Total Capital Funding	230,906,506	7,410,850	238,317,356	-		238,317,356	286,292,920		47,975,564	120 %	124 %				-

Appendix G5

Budgeted Cash Flows

for the year ended 30 June 2015

	2015/2014						2014		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other	168,859,343	(48,750,716)	120,108,627	120,108,627	155,017,161	34,908,534	129 %	92 %	157,438,713
Government - operating	364,477,493	7,264,615	371,742,108	371,742,108	314,427,663	(57,314,445)	85 %	86 %	274,787,275
Government - capital	219,381,506	7,410,850	226,792,356	226,792,356	169,433,156	(57,359,200)	75 %	77 %	142,971,506
Interest	8,125,492	(5,830,433)	2,295,059	2,295,059	1,794,381	(500,678)	78 %	22 %	3,047,658
Suppliers and employees	(498,899,189)	159,387,737	(339,511,452)	(339,511,452)	(458,611,865)	(119,100,413)	135 %	92 %	(437,249,261)
Finance charges	(930,352)	(400,000)	(1,330,352)	(1,330,352)	(2,314,208)	(983,856)	174 %	249 %	(979,322)
Transfers and Grants	(211,200)	(19,752)	(230,952)	(230,952)	(40,580)	190,372	18 %	19 %	(96,586)
Net cash flow from/used operating activities	260,803,093	119,062,301	379,865,394	379,865,394	179,705,708	(200,159,686)	47 %	69 %	139,919,983
Cash flow from investing activities									
Deposits made	-	-	-	-	(203,281)	(203,281)	DIV/0 %	DIV/0 %	-
Capital assets	(230,906,506)	(19,490,850)	(250,397,356)	(250,397,356)	(182,076,957)	68,320,399	73 %	79 %	(131,944,909)
Net cash flow from/used investing activities	(230,906,506)	(19,490,850)	(250,397,356)	(250,397,356)	(182,280,238)	68,117,118	73 %	79 %	(131,808,131)
Cash flow from financing activities									
Borrowing long term/refinancing	-	-	-	-	(698,147)	(698,147)	DIV/0 %	DIV/0 %	(1,398,672)
Movement in trade payables from non-exchange transaction	-	-	-	-	1	1	DIV/0 %	DIV/0 %	113,596
Repayment of borrowing	-	-	-	-	(376,376)	(376,376)	DIV/0 %	DIV/0 %	(556,912)
Net cash flow from/used financing activities	-	-	-	-	(1,074,522)	(1,074,522)	DIV/0 %	DIV/0 %	(1,841,988)
Net increase/(decrease) in cash held	29,896,587	99,571,451	129,468,038	129,468,038	(3,649,052)	(133,117,090)	(3)%	(12)%	6,269,864
Cash/cash equivalents at the year begin:					12,851,627				1,481,390
Cash/cash equivalents at the year end:	29,896,587	99,571,451	129,468,038	129,468,038	9,202,575	(133,117,090)	7 %	31 %	